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A History of the Theories of Production and Distribution in English Political Economy from 1776 to 1848. By EDWIN CANNAN. Pp. 410. London: Percival & Co. 1893.

The history of economic theories has been, up to the present time, almost a blank. While we have had for more than a generation a vigorous historical school, its members have devoted themselves almost exclusively to economic history, and have not done that work in the history of economic theory which might justly have been expected of them. For many reasons they should be classed as theorists rather than as historians, because they have tried to displace, or, at least, to revise the accepted theories by means of the material which historical studies furnish. The result has been that the controversies between the two schools over the relative claims of the inductive and deductive methods have absorbed attention which might have been given with great profit to the causes and conditions underlying the doctrines which deductive thinkers have been so willing to defend.

In one important respect the rise of the historical school has delayed the study of the history of economic doctrine, and has helped to obscure the historical relation in which the great economists stood to one another. The indiscriminate attacks which the historical economists made on the earlier deductive writers has caused the defenders of deductive theories to interpret these earlier writers as though their ideas and doctrines were fully developed and in complete harmony with the accepted theories of the present time. So long as it was felt that the defence must be wholly on logical grounds it was a good excuse for reading into these writers modern ideas that could be logically defended. It has, therefore, become the fashion to maintain that the early writers, especially Ricardo, saw clearly the full import of the doctrines associated with their names, and that any seeming obscurity of thought was due to careless expression or to other formal causes.

It is fortunate for the science that the definite lines which separated the two schools have of late been broken down, and that discussions of method have lost much of their interest. Historical writers are making greater use of theory and deductive thinkers are beginning to absorb a little of the historical spirit. Therefore, a book on the history of economic theories appears at an auspicious time and Mr. Cannan deserves great credit, both for seeing that the time for such a book had come and for the happy manner in which he has done the work he has undertaken.

The results show that he was well fitted for the task. He has a keen appreciation of economic theory and an ability to discuss its fine points with vigor and acuteness. He has a respect and admiration

for the great masters of the science which makes him generous in his estimates of their work. His historical instincts enable him to see the many stages through which each of the great theories has gone and the part that each writer has played in its development. He is also free from those tendencies; so marked in many economists, to make the discussion of earlier writers of such a character that it will throw light on the controversies of the present day. Apparently, Mr. Cannan has no favorite theories, nor even any lessons or inferences which he desires to impress.

To my mind the fifth chapter is the best of the book. It traces the rise of those doctrines to which the names of Malthus and Ricardo are attached, and shows clearly the connection between the politics and economics of that important period. Both the law of population and of diminishing returns are traced to the concrete conditions in English social history out of which they arose. Malthus and Ricardo were not mere followers of Adam Smith and interpreters of his doctrines; their interest lay in practical affairs, and, without that series of remarkable events which happened between the time of Adam Smith and their own, the peculiar development of English economics in the early part of this century could not have taken place. The concrete way in which Malthus and Ricardo thought and wrote; the manner in which they expanded particular propositions into general laws, and also the national character of the system of economics to which their names are attached, can be clearly seen by any careful reader of this chapter. The mythical Malthus and Ricardo disappear, but the real men show characteristics which make them more worthy of admiration than the false idols of the ordinary textbook.

The only part of the book which I am inclined to criticise is Chapter VIII., on "Distribution Proper." It seems to me that an unhistorical character is given to much of the discussion by the assumption that the early economists really made distribution the leading problem of political economy, and that they had clearly in mind the distinctions that lie at the basis of our present theories of distribution. Rent, wages and profits are now consciously correlated and we think of the general problem of distribution in the form of the equation: $\text{Produce} = \text{Rent} + \text{Wages} + \text{Profits}$. Mr. Cannan assumes that the earlier economists thought of the problem in this form, while in fact the formula is the result of a century of discussion. During the greater part of the time the theory of distribution was only a subordinate problem, and for this reason the great economists did not separate it from other problems in which their interest was greater. They thus failed to think of produce as one fund, to be divided into definite shares, but discussed first, wages, then profits, then rent, as particular

portions of other problems. Wages was thought of in connection with problems of subsistence, capital and population, while profits and rent were parts of the net proceeds of industry. The early economists had two distinct funds in mind, the stock on hand at the beginning of an industrial period, and the produce on hand at the end of the period. Wages was a part of the stock at the beginning; profits and rent are the net proceeds left at the end, when the legitimate expenses of production had been met. This concept of production kept the economists from thinking of one fund of which wages, profits and rents are parts. So long as the subsistence theory of wages or the wage fund theory was accepted, this concept continued and the source of wages was another fund from that out of which profits and rent came. Only after the displacement of the wage fund theory by the produce theory of wages did the fund from which wages came, become the same as that from which profits and rent were drawn. Then the equation, $\text{Produce} = \text{Rent} + \text{Wages} + \text{Profits}$, had a meaning which it could not have to earlier writers who made wages a part of the stock of society instead of a part of its produce.

Mr. Cannan makes use of two quotations from Ricardo to show that the latter recognized that the produce of industry is one fund, made up of rent, profits and wages. One is from the first paragraphs of the preface of Ricardo's "Political Economy," and the other is from the last section of the first chapter. I have elsewhere sought to explain the origin of these paragraphs of the preface,* and I believe they were an afterthought, or, perhaps, inspired by James Mill, who has done so much to systematize the arguments of Ricardo.

Prefaces and titles are poor places to determine the contents of books. Mr. Cannan recognizes this in his treatment of Adam Smith.

"To account," he says,† "for distribution occupying so subordinate a place in the body of the book and so prominent a one in the title, we may perhaps be allowed to conjecture that in all probability the book existed in a fairly complete form before Adam Smith became acquainted with the physiocratic doctrine. When this happened, he may well have thought that his theory of prices and his observations on wages, profit and rent, made a very good theory of what the physiocrats called 'distribution,' and thus have been led to affix the present title of the book, and to interlope the passage about the whole produce being parceled out and distributed as wages, profit and rent."

What is highly probable in the case of Adam Smith is an undoubted fact in the case of Ricardo. He knew nothing of the theory of rent until long after he had worked out his theories of profits and value.

* "The Interpretation of Ricardo." *Quarterly Journal of Economics*, April, 1893.

† P. 188.

When he heard of the law of rent from Malthus, he did not incorporate it as co-ordinate with his other theories, but contented himself with showing that the law of rent did not affect the doctrines based upon these earlier theories. Aside from this, he merely affixed a few sentences to his preface and left the problem of distribution proper in as incomplete state as did Adam Smith.

In his second quotation from Ricardo, I think that Mr. Cannan is hardly fair. The reader would suppose, from his use of it, that it is taken from Ricardo's discussion of distribution. It is, in fact, taken from the closing section of the chapter on "Value," in which Ricardo merely desires to show that changes in the value of money do not affect the rate of profit, while changes in the cost of production do affect profits. Here, as an illustration, rent is incidentally correlated with profits and wages. The context, however, clearly shows that the statement is accidental and not for the purpose of establishing a principle.

This interpretation becomes evident from the change in the text from the first to the third edition. In the first edition, Ricardo says, "It is according to the division of the whole produce of the land *and labor of the country** between the three classes—landlords, capitalists and laborers, that we are to judge of rent, profit and wages." In the third edition, however, he says, "It is according to the division of the produce of the land *of any particular farm* between the three classes of landlord, capitalist and laborer that we are to judge *of the rise or fall* of rent, profit and wages." The first statement seems to formulate a general principle, but the revised statement shows clearly that he merely meant to say that the produce of certain farms was divided into three shares. Notice also that he changes "judge of rent, profit and wages" to "*judge of the rise or fall* of rent, profit and wages." This revision shows that he was not thinking of a single fund from which rent, profits and wages are taken, but merely of the rates of variation of the three factors in distribution.

The fact is that Ricardo had no such formula in mind as $\text{Produce} = \text{Rent} + \text{Profits} + \text{Wages}$. What seems to be a theory of distribution is, in reality, a part of his theory of prosperity. Both Ricardo and Malthus, as Mr. Cannan also points out, were practical in their aims. Ricardo wished to determine why the people of England were not prosperous in his day. He was not thinking of a fund which was to be divided between certain classes, but of the conditions of national prosperity. He thoroughly believed that this prosperity depended upon the rate of profit. He thought that capital was the fundamental requisite of production, the most slowly increasing factor. The growth

* The italics are mine.

of capital depended on the rate of profit, and hence the necessity of high profits for a rapid increase of capital and for national prosperity. Profits are cut down by the growth of rent and the consequent rise of wages through which prosperity is checked. This line of reasoning is not a theory of distribution, although later economists have easily created such a theory from it by certain changes foreign to the thought of Ricardo and to the other economists of his day.

In reality, J. S. Mill makes the beginning of a real theory of distribution, when he says that the laws of production are physical and those of distribution are social. This statement recognizes the fact that the produce of industry is a fund in the possession of society to be divided as its institutions may determine. The theory, however, only became complete when the wage fund theory broke down and economists recognized that wages were paid from the produce of industry and not from capital. From this time the unity of all produce was recognized and the theory of distribution became distinct from the other parts of economics to which it was formerly subordinate.

The theory of distribution in the sense in which Mr. Cannan uses the term in Chapter VIII., is not a part of the period of which he treats. The only theory of distribution of which the earlier economists were conscious is what he terms "pseudo-distribution" and discusses in the seventh chapter.

Mr. Cannan has produced a thoroughly good book—one that is indispensable to every student who desires to know under what conditions the great economists thought and wrote. He has filled an important gap in economic literature and has turned the attention of economists to a long neglected field. It is to be hoped that the success of this book will inspire some one to give us as good an account of the concrete conditions out of which the economics of Adam Smith arose, as Mr. Cannan has given of the Ricardian economics.

SIMON N. PATTEN.

University of Pennsylvania.

The Law of the Canadian Constitution. By W. H. P. CLEMENT. Pp. xxii, 672. Toronto: Carswell & Co. 1892.

For the ordinary reader and general student this work will not serve so good a purpose as Bourinot's "Parliamentary Procedure and Practice," but to those who are so fortunate as to have had some training in the legal side of history and government, Mr. Clement's volume will prove a most valuable supplement to Bourinot. The great merit of this book, taken as a whole, is the large space given to extracts from decisions of the courts; and while Mr. Clement does not always escape the danger into which even such distinguished jurists and